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DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

March 29, 2016

CERTIFIED RETURN RECEIPT
7015 0640 0001 4528 8694

Brent Andrews
Tar Sands Holdings II LLC
60 East South Temple, Suite 1800
Salt Lake City, Utah 84111

Subject: Reclamation Cost Estimate Evaluations and Division Directive to Consolidate Permits, Tar Sands Holdings II LLC, Uintah County Asphalt Mine and Asphalt Ridge 2 Mine, M/047/0022 and M/047/0032, Uintah County, Utah

Dear Mr. Andrews:

Reclamation Cost Estimates

The Division of Oil, Gas and Mining has reviewed the reclamation cost estimate for the Asphalt Ridge 2 mine taking into account inflation/deflation based on an acceptable cost index (R647-4-113.6). In a letter dated March 2, 2015, the Division outlined the required reclamation surety amounts agreed to through negotiations between the Division and Tar Sands Holdings II for this mine, file number M/47/0032, and the Uintah County Asphalt mine, file number M/47/0022. In this March 2015 letter, the Division noted that the reclamation surety amounts for both permits were valid for one year. The following re-evaluation of the reclamation surety amounts is being undertaken as a result of the expiration of that one-year period.

For the Asphalt Ridge 2 mine, \$188,000.00 was added to the original surety bond of \$490,000.00 bringing the total to **\$678,000.00**.

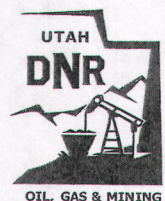
Asphalt Ridge 2 Mine M/47/0032

Reclamation Cost Estimate Value in 2015 dollars	\$662,930.00
Three-year Escalation (to 2018 dollars)	$\$676,949.00 = \$662,930.00 * 1.007^3$
Five-year Escalation (to 2020 dollars)	$\$686,460 = \$662,930.00 * 1.007^5$

For the Uintah County Asphalt mine, \$69,022.00 was added to the original surety bond of \$115,900.00, bringing the total to **\$184,922.00**.

Uintah County Asphalt Mine M/47/0022

Reclamation Cost Estimate in 2015 dollars	\$182,730
Three-year Escalation (to 2018 dollars)	$\$184,922 = \$182,730 * 1.007^3$
Five-year Escalation (to 2020 dollars)	$\$193,960 = \$182,730 * 1.007^5$



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In summary, the existing reclamation surety amounts on both permits are adequate for a three-year escalation rate. If TSHII wishes to lock in the five-year escalation rates, the Division would need to receive additional surety in the amounts of \$8460 for the Asphalt Ridge 2 mine and \$8701 for the Uintah County Asphalt mine.

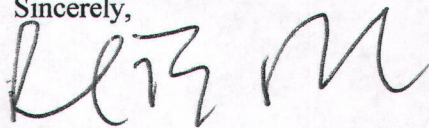
Permit Consolidation

The Notices of Intention to Commence Large Mining Operations (NOIs) for these two mines need to be consolidated. Now that the operator information for both permits is listed under TSHII, permit M/47/0022 should now be retired. Please review the NOI for M/47/0032 and provide the appropriate amendment updates to the plan that would incorporate all relevant information regarding the M/47/0022 permit.

Please submit the updates to the NOI by May 24, 2016.

Please contact April Abate at 801-538-5214 for the NOI update, Wayne Western at 801-538-5263 for the bond update, or me at 801-538-5261 if you have questions regarding this letter. In reply please refer to file number M/047/0022 or M/47/0032.

Sincerely,



Paul B. Baker
Mining Program Manager

PBB: aa:pb

Cc: Denise Dragoo, Snell and Wilmer (ddragoo@snlaw.com)
Scott Rasmussen (srasmussen@scalleyreading.net)
Linda Matthews, Stantec (linda.matthews@stantec.com)

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